

Exhibit No.:  
Issue: Overview and Policy  
Witness: Chris B. Giles  
Type of Exhibit: Direct Testimony  
Sponsoring Party: Aquila, Inc. dba KCP&L Greater  
Missouri Operations Company  
Case No.: ER-2009-\_\_\_\_  
Date Testimony Prepared: September 5, 2008

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. ER-2009-\_\_\_\_**

**DIRECT TESTIMONY**

**OF**

**CHRIS B. GILES**

**ON BEHALF OF**

**AQUILA, INC. dba  
KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**Kansas City, Missouri  
September 2008**

**DIRECT TESTIMONY**

**OF**

**CHRIS B. GILES**

**CASE NO. ER-2009-\_\_\_\_\_**

1 **Q: Please state your name and business address.**

2 A: My name is Chris B. Giles. My business address is 1201 Walnut, Kansas City, Missouri  
3 64106.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by Kansas City Power & Light Company (“KCP&L”) as Vice President -  
6 Regulatory Affairs. I also serve in that capacity for Aquila, Inc dba KCP&L Greater  
7 Missouri Operations Company (“GMO”).

8 **Q: What are your responsibilities?**

9 A: My responsibilities include all aspects of regulatory activities including cost of service,  
10 rate design, revenue requirements, and tariff administration for KCP&L and GMO.

11 **Q: Please describe your education, experience and employment history.**

12 A: I graduated from the University of Missouri at Kansas City in 1974 with a Bachelor of  
13 Arts degree in Economics and in 1981 with a Master of Business Administration degree  
14 with concentrations in accounting and quantitative analysis. I was first employed at  
15 KCP&L in 1975 as an Economic Research Analyst in the Rates and Regulation  
16 Department. I held positions as supervisor and manager of various rate functions until  
17 1988 when I was promoted to Director of Marketing. In January 1993, I returned to the  
18 rate area as Director, Regulatory Affairs. In March of 2005, I was promoted to Vice  
19 President - Regulatory Affairs.

1 **Q: Have you previously testified in a proceeding at the Missouri Public Service**  
2 **Commission or before any other utility regulatory agency?**

3 A: I have previously testified before both the Missouri Public Service Commission  
4 (“MPSC”) and the Kansas Corporation Commission on numerous issues regarding utility  
5 rates and regulation.

6 **Q: On whose behalf are you testifying?**

7 A: I am testifying on behalf of GMO for territory formerly served by Aquila Networks- MPS  
8 (“MPS”) and for territory formerly served by Aquila Networks-L&P (“L&P”).

9 **Q: What is the purpose of your testimony?**

10 A: The purpose of my testimony is to provide a summary and overview of this case. I will  
11 describe the major drivers of and how the proposed rate increase was determined.  
12 Finally, I will ask for Commission authorization on certain additional matters.

13 **Q: How was the test year and resultant rate increase amount determined?**

14 A: The test year is based on the historical year ending December 31, 2007. The Company  
15 proposes an update based on October 31, 2008 financials and a true-up as of April 30,  
16 2009. Accordingly, test year data was annualized and normalized based on projected  
17 amounts as of this true-up date. The cost of service and revenue requirement  
18 determination is supported by the Direct Testimony of GMO witness Ronald Klote and  
19 included in his attached Schedules RAK-1 through RAK-5.

20 **Q: What is the amount of rate increase requested in this case?**

21 A: The amount of the MPS rate increase is 14.4% or \$66.0 million dollars based on test year  
22 revenue of approximately \$460 million. The amount of the L&P rate increase is 13.6%  
23 or \$17.1 million dollars based on test year revenue of approximately \$125 million.

1 **Q: What is the return on equity GMO is requesting in this case?**

2 A: GMO is requesting a return on equity of 10.75% based upon a 53.82% equity capital  
3 structure of the Company's parent holding company Great Plains Energy, Inc. GMO  
4 witness Dr. Samuel Hadaway presents in his Direct Testimony his cost of capital study  
5 results and recommendations in support of a 10.75% return on equity. Dr. Hadaway has  
6 utilized the same approach as in Case No. ER-2007-0004 ("2007 case"), which is based  
7 on a traditional approach to estimate the underlying cost of equity capital for a group of  
8 investment grade electric utility companies.

9 **Q: What are the primary drivers for the MPS rate increase filing?**

10 A: Seventy percent, or about \$44 million of the increase, is driven by plant additions, in  
11 particular the Crossroads Energy Center and the Sibley Unit 3 selective catalytic  
12 reduction ("SCR") equipment.

13 **Q: Please briefly discuss the Crossroads plant addition.**

14 A: As part of the Integrated Resource Planning ("IRP") process in Case No. EO-2007-0298,  
15 the Company identified the need for additional peaking capacity. Through a request for  
16 proposal ("RFP") process, Crossroads, which consists of four combustion turbines  
17 located in Mississippi and currently under contract by Aquila, Inc., was determined to be  
18 the least cost and preferred option. Company witness Davis Rooney discusses the  
19 Crossroads project in more detail in his Direct Testimony, including the IRP and RFP  
20 processes, the operational characteristics of the facility, and transmission of the power to  
21 Missouri.

22 **Q: Please briefly discuss the Sibley plant addition.**

1 A: The Company is currently constructing the Sibley Unit 3 SCR equipment, with the in-  
2 service date expected prior to the April 30, 2009 true-up date in this proceeding. GMO  
3 witness Terry Hedrick discusses this project in more detail in his Direct Testimony,  
4 including in-service criteria and cost projections.

5 **Q: What are the primary drivers for the L&P rate increase filing?**

6 A: Over 100% of the increase, or about \$17.5 million, is driven by plant additions, in  
7 particular the Iatan Unit 1 Air Quality Control (“AQC”) equipment. While other cost  
8 increases are reflected in the revenue requirement, the sum of these increases is more  
9 than offset by the merger synergy savings discussed later in this testimony.

10 **Q: Please briefly describe the Iatan plant addition.**

11 A: KCP&L is currently constructing the AQC equipment with the in-service date expected  
12 prior to the April 30, 2009 true-up date in this proceeding. GMO witness, Brent Davis  
13 discusses this project in more detail in his Direct Testimony.

14 **Q: How has the Fuel Adjustment Clause (“FAC”), approved by the Commission in the  
15 2007 case, been addressed in the current case?**

16 A: GMO is requesting to continue the FAC, but proposes to change the base amounts  
17 included in the tariff. Company witness Tim Rush discusses the FAC in his Direct  
18 Testimony.

19 **Q: Has the Company included the revenue requirement impact of the recent  
20 acquisition of Aquila, Inc. by Great Plains Energy Incorporated, KCP&L’s parent  
21 company, in the respective GMO revenue requirements for this case?**

1 A: Yes, the Company has included its allocable share of the merger savings and transition  
2 cost amortization in the revenue requirements in this case, as ordered by the Commission  
3 in Case No. EM-2007-0374 (“Acquisition Case”).

4 **Q: During the course of the Acquisition Case, the Company agreed not to seek recovery**  
5 **of all of its actual debt costs, based on past commitments made by Aquila, Inc. with**  
6 **respect to certain specific debt issuances. Has the Company’s cost of capital**  
7 **calculation been made consistent with this agreement?**

8 A: Yes, consistent with prior rate cases the Company has not sought to recover actual debt  
9 costs for certain debt issued at non-investment grade interest rates. Company witness  
10 Samuel Hadaway discusses this further in his Direct Testimony.

11 **Q: Does the revenue requirement in this case address the Commission’s recent**  
12 **rulemakings concerning electric utility operational standards?**

13 A: Yes. As more fully discussed in the Direct Testimony of Company witness William  
14 Herdegen, GMO has included in its revenue requirement incremental costs resulting from  
15 4 CSR 240-23.020 (Infrastructure Standards) and 240-23.030 (Vegetation Management  
16 Standards and Reporting Requirements). The Company does not anticipate significant  
17 incremental costs related to 240-23.010 (Reliability Monitoring and Reporting  
18 Requirements) and therefore no additional costs were included for that rulemaking in this  
19 case.

20 **Q: Are there any other revenue requirement matters that you would like to draw to the**  
21 **Commission’s attention?**

22 A: I would like to briefly address the issue of commodity price sensitivity. Our transmission  
23 and distribution (“T&D”) and our production operations and maintenance commodity

1 costs have experienced dramatic price increases driven by increased demand, the  
2 weakness of the U.S. dollar and other causes. Company witnesses William Herdegen and  
3 Ronald Klote discuss this impact in their Direct Testimonies addressing T&D and  
4 production, respectively. In each instance we have attempted to reflect this sensitivity in  
5 the maintenance normalization indexing.

6 **Q: Does the Company request Commission authorization on any additional matters?**

7 A: Yes, GMO requests Commission authorization on an accounting matter and a tariff  
8 matter.

9 **Q: Please briefly describe the accounting request.**

10 A: Financial Accounting Standard (“FAS”) 158 requires the Company to convert its other  
11 post-employment benefits (“OPEB”) measurement date from September 30, 2008 to  
12 December 31, 2008. As a result, GMO will incur a “catch up” of three months of  
13 additional OPEB expense in 2008. As more fully discussed in the Direct Testimony of  
14 Company witness Ronald Klote, GMO requests the Commission to authorize the deferral  
15 of incremental FAS 158 OPEB expense in a regulatory asset account and the  
16 amortization of such costs into rates over a five-year period commencing with the  
17 effective date of new rates in this rate proceeding.

18 **Q: Please briefly describe the tariff request.**

19 A: As more fully discussed in the Direct Testimony of Company witness Allen Dennis,  
20 GMO requests the Commission to authorize the implementation of a new Economic  
21 Relief Pilot Program. This program delivers a monthly \$50 “fixed credit” to qualifying  
22 low-income customers in an effort to improve low-income home energy affordability.  
23 The details behind this program are included in GMO’s proposed tariffs. The Company

1 request that 50% of the cost of the program be deferred until the 2009 case, with cost  
2 recovery determined at that time. The remaining 50% will be borne by GMO  
3 shareholders.

4 **Q: Does that conclude your testimony?**

5 A: Yes, it does.



**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

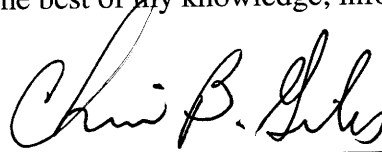
In the Matter of the Application of Aquila, Inc. dba        )  
KCP&L Greater Missouri Operations Company to        ) Case No. ER-2009-\_\_\_\_  
Modify Its Electric Tariffs to Effectuate a Rate Increase)

**AFFIDAVIT OF CHRIS B. GILES**

**STATE OF MISSOURI**     )  
  ) ss  
**COUNTY OF JACKSON**    )

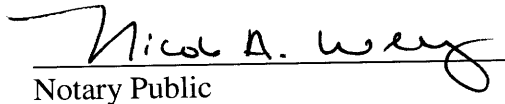
Chris B. Giles, being first duly sworn on his oath, states:

1. My name is Chris B. Giles. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Vice President, Regulatory.
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Aquila, Inc. dba KCP&L Greater Missouri Operations Company consisting of Seven (7) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.



Chris B. Giles

Subscribed and sworn before me this 5<sup>th</sup> day of September ~~August~~ 2008.

  
Notary Public

My commission expires: Feb. 4, 2011

